https://www.financial-planning.com/list/10-best-and-worst-real-estate-funds-of-the-past-three-years

The 10 best and worst real estate funds of the past 3 years
By Rob Burgess
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For investors, the starting point when considering real estate funds is education and awareness.

The many types of real estate funds include publicly traded real estate investment trusts (REITs) and index funds, which are liquid but generally lower income and highly correlated with equities; non-traded and interval funds, which are less liquid but often provide higher yields and greater tax deferral benefits; and private funds, which are specialized strategies, typically for accredited investors, said Rich Arzaga, founder of Monument, Colorado-based The Real Estate Whisperer Financial Planning.

"A client's income needs, tax situation and liquidity preferences often drive which type makes the most sense," he said.

Diversification is also a key concern, said Merriah Harkins, chief sales officer at Phoenix-based real estate investment firm Lukrom. She generally promotes diversification above everything else. Private credit, REITs, development funds and other fund structures that provide exposure across real estate asset categories — from multifamily and single-family homes to retail and commercial — spanning both public and private markets and differing risk levels should be considered, she said.

"When a client says they can earn 15% here and 8% there, they must understand the level of risk they are taking for the possibility of that higher return," she said. "It is critical to be informed about the fund's structure and the risk mitigation factors."

Real estate funds, as with other investments, can vary significantly in terms of risk and reward.

"Conservative funds can help to balance out the risky funds in the portfolio," Harkins said. "This ensures that a diversified portfolio will provide more stable returns and remain resilient when other investments are experiencing significant losses."

What makes a real estate fund more or less desirable?
The characteristics of a good real estate fund depend on client objectives, said Arzaga. If the goal is diversification, publicly traded REITs are accessible but can be as volatile as the S&P 500, he said. For lower correlation, REITs focused on different property types, for example, warehouse versus office, can balance exposure.

"A solid track record, experienced management, and prudent leverage are always desirable traits," he said.

Arzaga said he defines a real estate fund as "bad" when it carries higher, avoidable risk.

Examples include newer funds with limited track records, inexperienced managers or excessively leveraged portfolios.

It's critical for advisors to perform due diligence, said Harkins. Single-asset projects or funds can be riskier than a diversified fund that spans multiple real estate types, she said. Funds focused on high-growth metro markets often offer more resilience during challenging market cycles.

"An investor's due diligence should include the fund sponsor's track record across multiple economic cycles, the fee structure, available tax advantages, if any, a history of stable returns and whether the company offering the fund has a significant investment in the fund to determine the level of investor alignment," she said.

What does the future hold?

The cost of credit and real estate assets in many sectors is still very high due to limited inventory, but the trend toward lower interest rates is welcome, said Harkins. It may result in increased inventory, which could also put downward pressure on property values, she said. If a fund is raising a substantial amount of money, it should prioritize sound economic decisions, particularly when there is a risk that the fund will invest that money in properties that may be vulnerable to market shifts.

"The investments need to make sense, and to meet the stated expected return of a fund, you must determine whether the real estate in the fund will be improved enough to overcome those factors," she said. "Understanding how much debt the fund plans to assume and the terms, whether fixed or variable, is also an important factor to consider, given interest rate fluctuations and uncertainty."

Overall, Arzaga said he views real estate as a long-term investment. Because property types cycle over time, trying to "time" which sector will outperform is usually a moot point, he said.

"For investors with a long horizon, the current market can be just as productive as others — provided the fund structure aligns with the client's needs," Arzaga said.

Scroll down the slideshow below for the 10 real estate funds with the highest three-year returns, and the 10 real estate funds with the lowest three-year annualized returns as of Aug. 31, 2025. All data is from Morningstar Direct.

10 real estate funds with the biggest 3-year gains

10 iShares Core US REIT ETF (USRT)

iShares by BlackRock

Fund size	$3,093,977,768
Expense ratio	0.08%
One-year return	-0.49%
Three-year annualized return	5.62%

9 abrdn Real Estate Fund Instl (AIGYX)

Fund size	$35,590,629
Expense ratio	1%
One-year return	1.43%
Three-year annualized return	5.82%

8 SEI Real Estate F (SIMT) (SETAX)

Fund size	$72,694,553
Expense ratio	1.15%
One-year return	1.98%
Three-year annualized return	6.5%

7 PGIM US Real Estate Z (PJEZX)

Fund size	$212,104,286
Expense ratio	1.01%
One-year return	1.1%
Three-year annualized return	7.3%

6 Baron Real Estate Income Institutional (BRIIX)

Fund size	$242,297,460
Expense ratio	0.8%
One-year return	8.97%
Three-year annualized return	7.87%

5 PGIM Real Estate Income Z (PRKZX)

Fund size	$54,565,496
Expense ratio	1.1%
One-year return	3.14%
Three-year annualized return	8.59%

4 Commonwealth Real Estate Securities (CNREX)

Fund size	$16,185,896
Expense ratio	2.54%
One-year return	-1.31%
Three-year annualized return	8.76%

3 Invesco Real Assets ESG ETF (IVRA)

Fund size	$14,268,224
Expense ratio	0.59%
One-year return	9.42%
Three-year annualized return	9.1%

2 Global X Data Center & Dgtl Infrs ETF (DTCR)

Fund size	$377,119,846
Expense ratio	0.5%
One-year return	19.36%
Three-year annualized return	11.2%

1 Baron Real Estate Institutional (BREIX)

Fund size	**$2,242,187,619**
Expense ratio	**1.05%**
One-year return	**10.08%**
Three-year annualized return	**13.36%**

10 real estate funds with the lowest 3-year gains

10 Invesco Active US Real Estate (PSR)

Fund size	$54,954,340
Expense ratio	0.35%
One-year return	-0.47%
Three-year annualized return	1.48%

9 SP Funds S&P Global REIT Sharia ETF (SPRE)

Fund size	$164,930,889
Expense ratio	0.55%
One-year return	-4.4%
Three-year annualized return	0.68%

8 Knights of Columbus Real Estt I (KCRIX)

Knights of Columbus Asset Advisors®

Fund size	$148,255,527
Expense ratio	1%
One-year return	-4.63%
Three-year annualized return	0.63%

7 Nuveen Short-Term REIT ETF (NURE)

nuveen
A TIAA Company

Fund size	$34,392,462
Expense ratio	0.35%
One-year return	-8.76%
Three-year annualized return	0.12%

6 Pacer Benchmark Data&Infras RE SCTR ETF (SRVR)

Fund size	$443,939,425
Expense ratio	0.55%
One-year return	5.52%
Three-year annualized return	0.03%

5 Invesco Real Estate C (IARCX)

Fund size	$715,669,291
Expense ratio	2.02%
One-year return	-4.61%
Three-year annualized return	-0.21%

4 Dunham Real Estate Stock N (DNREX)

Fund size	$48,612,892
Expense ratio	1.55%
One-year return	-6.08%
Three-year annualized return	-0.26%

3 Pacer Benchmark Industrial RE SCTR ETF (INDS)

Fund size	$126,144,142
Expense ratio	0.55%
One-year return	-9.73%
Three-year annualized return	-0.45%

2 Invesco KBW Premium Yield Eq REIT ETF (KBWY)

Fund size	$251,083,239
Expense ratio	0.35%
One-year return	-12.59%
Three-year annualized return	-1.44%

1 Altegris/AACA Opportunistic Real Estt I (RAAIX)

Fund size	$37,970,031
Expense ratio	2.53%
One-year return	-22.03%
Three-year annualized return	-9.29%